



## Management Report for First Quarter FY2018

Hsinchu, Taiwan, 10<sup>th</sup> May, 2018 – eMemory Technology Inc. (TPE : 3529) announced its results for the first quarter ended 31<sup>st</sup> March 2018.

### Results Summary

(Amounts are in thousands of NT dollars, except margins and EPS)

	Q1 2018	Q4 2017	Q1 2017	Change (QoQ)	Change (YoY)
Net Revenue	374,466	321,866	337,249	16.3%	11.0%
Gross Margin	100%	100%	100%	-	-
Operating Expenses	193,201	185,484	193,603	4.2%	-0.2%
Operating Income	181,265	136,382	143,646	32.9%	26.2%
Operating Margin	48.4%	42.4%	42.6%	6.0ppts	5.8ppts
Net Income	168,730	117,659	151,378	43.4%	11.5%
Net Margin	45.1%	36.6%	44.9%	8.5ppts	0.2ppts
EPS (NT\$ per common share)	2.23	1.55	2.00	43.9%	11.5%
ROE	31.3%	23.6%	30.2%	7.7ppts	1.1ppts

### Financial Highlights

- Net revenue was NT\$ 374.47 million, up 11.0% from a year ago and 16.3% from the previous quarter.
- Operating expenses slightly decrease 0.2% on year, but 4.2% higher sequentially, mainly due to bonus payments to employees and board members increasing in proportion to a rising income in the quarter.
- Operating income of NT\$ 181.27 million was up 26.2% on year and 32.9% sequentially.
- Operating margin rose to 48.4% from 42.6% a year ago and 42.4% in the previous quarter.
- Net income of NT\$ 168.73 million was 11.5% higher than a year ago, and grew 43.4% compared with the previous quarter.
- Net margin rose to 45.1% from 44.9% a year ago and from 36.6% in the previous quarter.
- EPS increased to NT\$ 2.23 from NT\$ 2.00 in the same quarter last year and NT\$ 1.55 in the previous quarter.
- Return on Equity was 31.3%, higher than 30.2% a year earlier and 23.6% in the previous quarter.

### Key Business Developments

#### Licensing

- Technology License
  - 7 licenses were signed with 4 customers on 3 products (NeoBit : 2, NeoFuse : 4, and NeoMTP : 1) in the first quarter.
  - At the end of the first quarter, technologies were being developed for 100 process nodes, ranging from 0.18um to 7nm.

### Key Technology Development at 12-inch Processes

	7/10nm	12/14/16nm	28nm	40nm	55/65nm	80/90nm	Total
Qualified	-	2	11	10	17	7	47
Developing	3	3	14	7	11	9	47

- Design License
  - A total of 102 product tape-outs in the first quarter : 26 for PMIC, 14 for LCD driver, 13 for MCU, 10 for OLED driver, 10 for fingerprint (including under glass application), 8 for sensor-related, 6 for network IC and 15 for other applications.
  - Q1 customer product tape-outs are summarized as follows :
    - 4 tape-outs at 28nm for network IC and multimedia.
    - 12 tape-outs at 40nm for OLED driver and LCD driver.
    - 3 tape-outs at 55nm for LCD driver, network IC, and MCU.
    - 5 tape-outs at 80nm/90nm for LCD driver, OLED driver and TDDI.
    - 15 tape-outs at 0.11um/0.13um for PMIC and LCD driver.
    - 59 tape-outs at 0.15um/0.18um for PMIC, MCU, fingerprint, sensor-related, LCD driver, network IC, USB, and audio etc.
    - 4 tape-outs at 0.25um for fingerprint and sensor-related.
  - eMemory's cumulative number of design licenses has risen to 4,004 at the end of the first quarter, driven by the company's strategic expansion and diversification into a broad range of applications. The IP library is the growth engine of its royalty revenue.

### Royalty

- Major contributors to Q1 royalty revenue :
  - Royalty from DDI down 18.6% on year, with DDI for iOS devices decrease 30.4% and Android 15.4% lower. On a sequential basis, this segment grew 14.3%, with DDI for iOS decrease 20.5% but Android up 26.9%. This segment, which includes TDDI, contributed 41.7% of our royalty in the first quarter.
  - Royalty from PMIC grew 29.5% year over year, with PMIC for iOS devices up 35.0% and Android grew 17.3%. On a sequential basis, this segment down 8.2%, with PMIC for iOS decrease 9.7% and Android 4.3% lower. This segment contributed 27.7% of total royalty in the first quarter.  
The reason that royalty from PMIC decreased from the previous quarter was due to iOS related devices' inventory adjustment, and the android related customer's production shift to other foundry but not resume its production volume yet.
  - Fingerprint recognition applications contributed 10.8% of total royalty in Q1 2018. This segment posted a sequential growth of 54.6%, and a YoY growth of 55.3%.
  - Other applications, including STB, MCU, Network IC, and sensor-related, contributed 19.8% of total royalty in Q1. Revenue from those applications decrease 8.5% on year and slightly decline 0.2% on quarter.
  - 8-inch wafers accounted for 69.3% of total royalty, and 12-inch contribution was 30.7%.



## **Business Outlook**

Based on our current visibility, we expect growth momentum to continue, driven by following aspects.

### Key drivers to licensing revenue :

- Establishing partnerships with more foundries worldwide on various processes. This year, Korea's largest foundry is expected to be added on the list. Besides that, several new license contracts beyond 16nm platform are going to be signed in this year.
- Our growing IP library will further contribute to growth of licensing revenue.
- The increasing number of MTP license contracts will drive the growth of licensing revenue in the future.

### Key drivers to royalty revenue :

#### 8-inch processes

- Royalty revenue which contribute from PMIC application will grow due to the change of business terms with US largest chipmaker from one-time fee to royalty-based, which is expected to mass production this year. And, the US second largest IC Design Company has taped out and embedded our IP into its wireless charger, will contribute royalty growth in the future.
- MTP technology was adopted by a European IDM company, and is ready for mass production.
- Continuing to expand our market share in Fingerprint application by new customers and new applications.
- Increasing design activities of application in IOT, Automotive and healthcare related.

#### 12-inch processes

- The trend that DDI applications migrate to TDDI and OLED remains unchanged, will contribute to the revenue growth of 12-inch processes.
- More tape-outs at 28nm for Set-top box, multimedia, SSD controllers, and Network-related applications. Major Asia design houses have adopted our IP into their 28nm products and will contribute to our royalty in 2018 and beyond.

### Development of new applications :

- NeoFuse solutions have successfully designed into DRAM IDM for memory repair function, starting from 25nm and beyond, will contribute to royalty in the future.
- NeoPUF is expected to work on RF, FPGA, portable POS machines, and cartridges related applications, will start contribute to royalty revenue in 2019.

### Development of new technologies :

- We constantly cooperate with main foundries in development of IPs at 5/7/12/14nm and 22nm SOI platforms.
- We have started to co-develop new memory technology with a top IDM company in the US.

## **Management Comments**

Looking ahead, as the increasing demand of OTP in advance nodes, the growing requirement of MTP in new applications, and customers investing more R&D effort on next generation



products or new applications, these will accelerate our growth in license revenue in the future. Besides that, we will keep building advanced processes, expanding new technology platforms among our worldwide foundry partners. The company will persistently increase values to our customers with continuing innovation.

## Results Review

(NT \$ Thousand)

Revenue Breakdown	Q1 2018	Q4 2017	Q1 2017	Change (QoQ)	Change (YoY)
Licensing	114,540	78,811	74,146	45.3%	54.5%
Royalty	259,926	243,055	263,103	6.9%	-1.2%
Total	374,466	321,866	337,249	16.3%	11.0%

(US \$ Thousand)

Revenue Breakdown	Q1 2018	Q4 2017	Q1 2017	Change (QoQ)	Change (YoY)
Licensing	3,898	2,620	2,384	48.8%	63.5%
Royalty	8,828	8,066	8,366	9.4%	5.5%
Total	12,726	10,686	10,750	19.1%	18.4%

## Revenue

- Total revenue
  - Total revenue rose 11.0% to NT\$ 374.47 million in Q1 2018 from a year ago, and 16.3% higher sequentially.
  - Licensing contributed 30.6% of total revenue, while royalty contributed 69.4% in the first quarter.
- Licensing revenue
  - Licensing revenue was up 54.5% to NT\$ 114.54 million in Q1 2018 from a year ago, and grew 45.3% on a QoQ basis.
- Royalty revenue
  - Royalty revenue decline 1.2% to NT\$ 259.93 million in Q1 2018 from a year ago, and rose 6.9% sequentially.
  - 8-inch wafers accounted for 69.3% of Q1 2018 royalty revenue, and 12-inch contributed 30.7%.

## Gross margin

Gross margin remained unchanged at 100%.

## Operating expenses and operating margin

- Operating expenses in Q1 2018 were NT\$ 193.20 million, representing 51.6% of total revenue. The OPEX decrease 0.2% from a year ago, and 4.2% higher than the previous quarter.



- Among the decrease of operation expense (YoY), around 4% decrease was attribute to the share based employee compensation. But 2.5% of increase was due to higher bonus payments to employees and board members in proportion to a rising income in Q1 2018, about 0.5 % of the increase was attribute to an increasing number of employees and salary adjustments, the other 1% of increase was related to the higher amortization/depreciation expenses etc.
- Operating margin in Q1 2018 was 48.4%, higher than 42.6% in Q1 2017 and 42.4% in the Q4 2017.

#### Income tax expense and earnings

- Income tax expense was NT\$ 22.37 million in Q1 2018, representing around 6% of total revenue. The expense was up 15.2% YoY and 18.4% higher QoQ as a result of a rising income in the period.
- Non-operating income in the quarter was NT\$ 9.84 million, 63.8% lower than a year ago but up 5,457.6% sequentially, the increase was primarily due to we recognize our board members' remuneration in this quarter.
- Q1 net income rose 11.5% to NT\$ 168.73 million from a year ago, and 43.4% higher than the previous quarter.
- Earnings per share was NT\$ 2.23 in Q1 2018, 11.5% higher than a year ago and 43.9% higher than the previous quarter.

#### Balance sheet

- At the end of Q1 2018, the company held NT\$ 1,802.86 million in cash, an increase of NT\$ 191.31 million from the same quarter 2017. Total current assets were NT\$ 1,965.32 million.
- Total current liabilities were NT\$ 330.15 million at the end of Q1 2018, an increase of NT\$ 77.02 million from a year earlier. The increase was mainly due to higher bonus payable and income tax payable on rising profits.
- Net working capital was NT\$1,635.17 million, NT\$ 145.62 million higher than the same period last year.

#### Cash flows

- Net cash generated from operating activities was NT\$ 145.42 million in the first quarter of 2018, an increase of NT\$ 55.70 million compared with the same period last year, mainly due to rising operating income.
- Net cash used in investing activities was NT\$ 8.75 million in the ended of March 31<sup>st</sup>, a decrease of NT\$ 32.31 million from a year ago, the decrease is primarily due to we sold financial assets in 2017.
- At the end of March 2018, eMemory's cash balance was NT\$ 1,802.86 million, an increase of NT\$ 191.31 million from the same period 2017.

#### Employees

- At the end of Q1 2018, eMemory had 244 full-time employees, an increase of 2.5% from the previous quarter. Among them 171 are R&D engineers.

#### **Cautionary Statement**

This report contains forward-looking statements, which are subject to risk factors associated with semiconductor and intellectual property business. It is believed that the expectations reflected in these statements are reasonable. But they may be affected by a variety of



variables, many of which are beyond our control. These variables could cause actual results or trends to differ materially which include, but are not limited to: wafer price fluctuation, actual demand, rapid technology change, delays or failures of customers' tape-outs into wafer production, our ability to negotiate, monitor and enforce agreements for the determination and payment of royalties, any bug or fault in our technology which leads to significant damage to our technology and reputation, actual or potential litigation, semiconductor industry cycle and general economic conditions. Except as required by law, eMemory undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

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**-Financial Tables To Follow-**

# eMemory Technology Inc. and Subsidiary

## CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

	March 31, 2018 (Reviewed)		December 31, 2017 (Audited)		March 31, 2017 (Reviewed)			March 31, 2018 (Reviewed)		December 31, 2017 (Audited)		March 31, 2017 (Reviewed)	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
<b>ASSETS</b>							<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>						
<b>CURRENT ASSETS</b>							<b>CURRENT LIABILITIES</b>						
Cash	\$1,802,860	69	\$1,663,684	69	\$1,611,553	68	Contract liabilities - current	\$ 40,997	2	\$ -	-	\$ -	-
Accounts receivable - net	115,038	5	82,457	4	80,318	3	Other payables	63,533	2	80,927	3	70,228	3
Accounts receivable - related parties	-	-	-	-	11,228	1	Bonuses payable to employees, directors and supervisors	141,135	5	133,625	6	118,591	5
Other receivables	288	-	238	-	284	-	Payables on equipment	1,943	-	5,189	-	5,663	-
Other receivables - related parties	190	-	577	-	-	-	Other payables - related parties	-	-	-	-	37	-
Prepayments	44,987	2	17,998	1	37,383	2	Current tax liabilities	81,071	3	61,476	3	34,212	2
Other current assets	1,952	-	2,023	-	1,918	-	Other current liabilities	1,470	-	34,922	1	24,399	1
Total current assets	<u>1,965,315</u>	<u>76</u>	<u>1,766,977</u>	<u>74</u>	<u>1,742,684</u>	<u>74</u>	Total current liabilities	<u>330,149</u>	<u>12</u>	<u>316,139</u>	<u>13</u>	<u>253,130</u>	<u>11</u>
<b>NON-CURRENT ASSETS</b>							<b>NON-CURRENT LIABILITIES</b>						
Financial assets at fair value through other comprehensive income - noncurrent	18,697	1	-	-	-	-	Net defined benefit liability - noncurrent	19,107	1	19,242	1	19,389	1
Financial assets at amortised cost - noncurrent	33,611	1	-	-	-	-	Guarantee deposits received	530	-	530	-	405	-
Financial assets measured at cost - noncurrent	-	-	8,406	-	9,939	-	Total non-current liabilities	<u>19,637</u>	<u>1</u>	<u>19,772</u>	<u>1</u>	<u>19,794</u>	<u>1</u>
Investments in debt instrument without active market - noncurrent	-	-	33,611	1	33,610	2	Total liabilities	<u>349,786</u>	<u>13</u>	<u>335,911</u>	<u>14</u>	<u>272,924</u>	<u>12</u>
Investment accounted for using equity method	9,060	-	10,393	-	4,936	-	<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY</b>						
Property, plant and equipment	509,207	20	505,337	21	501,099	21	Ordinary shares	<u>757,908</u>	<u>29</u>	<u>757,823</u>	<u>31</u>	<u>757,823</u>	<u>32</u>
Intangible assets	63,137	2	62,430	3	57,626	3	Capital surplus	<u>435,621</u>	<u>17</u>	<u>427,496</u>	<u>18</u>	<u>454,149</u>	<u>19</u>
Deferred tax assets	2,818	-	2,108	-	2,833	-	Retained earnings						
Prepayments for equipment	-	-	11,493	1	1,525	-	Legal reserve	280,298	11	280,298	12	231,737	10
Refundable deposits	331	-	315	-	300	-	Special reserve	926	-	926	-	926	-
Total non-current assets	<u>636,861</u>	<u>24</u>	<u>634,093</u>	<u>26</u>	<u>611,868</u>	<u>26</u>	Unappropriated earnings	<u>840,052</u>	<u>32</u>	<u>598,616</u>	<u>25</u>	<u>636,993</u>	<u>27</u>
<b>TOTAL</b>	<u>\$2,602,176</u>	<u>100</u>	<u>\$2,401,070</u>	<u>100</u>	<u>\$2,354,552</u>	<u>100</u>	Total retained earnings	<u>1,121,276</u>	<u>43</u>	<u>879,840</u>	<u>37</u>	<u>869,656</u>	<u>37</u>
							Other equity	( 62,415)	( 2)	-	-	-	-
							Total equity	<u>2,252,390</u>	<u>87</u>	<u>2,065,159</u>	<u>86</u>	<u>2,081,628</u>	<u>88</u>
							<b>TOTAL</b>	<u>\$2,602,176</u>	<u>100</u>	<u>\$2,401,070</u>	<u>100</u>	<u>\$2,354,552</u>	<u>100</u>

## eMemory Technology Inc. and Subsidiary

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	Three Months Ended March 31			
	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE	\$ 374,466	100	\$ 337,249	100
OPERATING COSTS	-	-	-	-
GROSS PROFIT	<u>374,466</u>	<u>100</u>	<u>337,249</u>	<u>100</u>
OPERATING EXPENSES				
Selling and marketing expenses	27,469	8	27,638	8
General and administrative expenses	42,093	11	40,615	12
Research and development expenses	124,782	33	125,350	37
Expected credit loss (gain)	( 1,143)	-	-	-
Total operating expenses	<u>193,201</u>	<u>52</u>	<u>193,603</u>	<u>57</u>
OPERATING INCOME	<u>181,265</u>	<u>48</u>	<u>143,646</u>	<u>43</u>
NON-OPERATING INCOME AND EXPENSES				
Other income	13,934	4	2,765	1
Other gains and losses	( 2,762)	( 1)	26,337	8
Share of loss of associates	( 1,335)	-	( 1,955)	( 1)
Total non-operating income and expenses	<u>9,837</u>	<u>3</u>	<u>27,147</u>	<u>8</u>
PROFIT BEFORE INCOME TAX	191,102	51	170,793	51
INCOME TAX EXPENSE	<u>22,372</u>	<u>6</u>	<u>19,415</u>	<u>6</u>
NET PROFIT	<u>168,730</u>	<u>45</u>	<u>151,378</u>	<u>45</u>

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## eMemory Technology Inc. and Subsidiary

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	Three Months Ended March 31			
	2018		2017	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Unrealised gains from investments in equity instruments measured at fair value through other comprehensive income	\$ 577	-	\$ -	-
Total other comprehensive income	<u>577</u>	-	<u>-</u>	-
TOTAL COMPREHENSIVE INCOME	<u>\$ 169,307</u>	<u>45</u>	<u>\$ 151,378</u>	<u>45</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 168,730	45	\$ 151,378	45
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 168,730</u>	<u>45</u>	<u>\$ 151,378</u>	<u>45</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 169,307	45	\$ 151,378	45
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 169,307</u>	<u>45</u>	<u>\$ 151,378</u>	<u>45</u>
EARNINGS PER SHARE				
Basic	<u>\$ 2.23</u>		<u>\$ 2.00</u>	
Diluted	<u>\$ 2.22</u>		<u>\$ 1.99</u>	

(Concluded)

**eMemory Technology Inc. and Subsidiary**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(In Thousands of New Taiwan Dollars)  
(Reviewed, Not Audited)

	Ordinary Shares		Capital Surplus	Legal Reserve	Retained Earnings			Other Equity Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total Equity
	Shares (In Thousands)	Amount			Special Reserve	Unappropriated Earnings	Total Retained Earnings		
BALANCE, JANUARY 1, 2017	75,783	\$ 757,823	\$ 448,025	\$ 231,737	\$ 926	\$ 485,615	\$ 718,278	\$ -	\$ 1,924,126
Change in capital surplus from investments in associates accounted for by using equity method	-	-	3	-	-	-	-	-	3
Net profit for the three months ended March 31, 2017	-	-	-	-	-	151,378	151,378	-	151,378
Total comprehensive income for the three months ended March 31, 2017	-	-	-	-	-	151,378	151,378	-	151,378
Share-based payments	-	-	6,121	-	-	-	-	-	6,121
BALANCE, MARCH 31, 2017	75,783	\$ 757,823	\$ 454,149	\$ 231,737	\$ 926	\$ 636,993	\$ 869,656	\$ -	\$ 2,081,628
BALANCE, JANUARY 1, 2018	75,783	\$ 757,823	\$ 427,496	\$ 280,298	\$ 926	\$ 598,616	\$ 879,840	\$ -	\$ 2,065,159
Effects of retrospective application and retrospective restatement	-	-	-	-	-	72,706	72,706	(62,992)	9,714
Equity at beginning of period after adjustments	75,783	757,823	427,496	280,298	926	671,322	952,546	(62,992)	2,074,873
Change in capital surplus from investments in associates accounted for by using equity method	-	-	2	-	-	-	-	-	2
Net profit for the three months ended March 31, 2018	-	-	-	-	-	168,730	168,730	-	168,730
Other comprehensive income for the three months ended March 31, 2018	-	-	-	-	-	-	-	577	577
Total comprehensive income for the three months ended March 31, 2018	-	-	-	-	-	168,730	168,730	577	169,307
Issuance of ordinary shares under employee share options	8	85	2,794	-	-	-	-	-	2,879
Share-based payments	-	-	5,329	-	-	-	-	-	5,329
BALANCE, MARCH 31, 2018	75,791	\$ 757,908	\$ 435,621	\$ 280,298	\$ 926	\$ 840,052	\$ 1,121,276	(\$ 62,415)	\$ 2,252,390

## eMemory Technology Inc. and Subsidiary

### CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Three Months Ended March 31	
	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 191,102	\$ 170,793
Adjustments for:		
Depreciation expenses	9,245	7,715
Amortization expenses	3,161	2,597
Expected credit loss (gain) / Provision (reversal of provision) for bad debt expense	( 1,143)	( 14)
Interest income	( 3,091)	( 2,483)
Share-based payments	5,329	6,121
Share of loss of associates	1,335	1,955
Gain on disposal of investments	( 5)	( 35,038)
Net loss on foreign currency exchange	2,392	7,354
Changes in operating assets and liabilities		
Accounts receivable	( 33,461)	( 19,594)
Accounts receivable - related parties	-	( 9,686)
Other receivables - related parties	387	44
Prepayments	( 24,292)	( 19,678)
Other current assets	71	( 433)
Contract liabilities	7,526	-
Other payables	( 17,384)	( 27,039)
Other payables - related parties	-	37
Other current liabilities	19	479
Net defined benefit liability	( 135)	( 134)
Bonuses payable to employees, directors and supervisors	<u>7,510</u>	<u>8,617</u>
Cash generated from operations	148,566	91,613
Interest received	3,041	2,455
Income tax paid	( 6,184)	( 4,345)
Net cash generated from operating activities	<u>145,423</u>	<u>89,723</u>

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## eMemory Technology Inc. and Subsidiary

### CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	<b>Three Months Ended March 31</b>	
	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets designated at fair value through profit or loss	( 31,000 )	-
Proceeds from disposal of financial assets designated at fair value through profit or loss	31,005	-
Purchase of available-for-sale financial assets	-	( 10,000 )
Proceeds from disposal of available-for-sale financial assets	-	10,001
Proceeds from disposal of financial assets measured at cost	-	36,570
Acquisition of property, plant and equipment	( 4,872 )	( 6,060 )
Increase in refundable deposits	( 16 )	-
Acquisition of intangible assets	( 3,868 )	( 5,427 )
Increase in prepayments for equipment	-	( 1,525 )
Net cash (used in) generated from investing activities	<u>( 8,751 )</u>	<u>23,559</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in guarantee deposits received	-	( 10 )
Exercise of employee share options	<u>2,879</u>	<u>-</u>
Net cash generated from (used in) financing activities	<u>2,879</u>	<u>( 10 )</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>		
	<u>( 375 )</u>	<u>( 3,330 )</u>
<b>NET INCREASE IN CASH</b>	<b>139,176</b>	<b>109,942</b>
<b>CASH AT THE BEGINNING OF THE PERIOD</b>	<u><b>1,663,684</b></u>	<u><b>1,501,611</b></u>
<b>CASH AT THE END OF THE PERIOD</b>	<u><b>\$ 1,802,860</b></u>	<u><b>\$ 1,611,553</b></u>

(Concluded)

### Notice to Readers

The above consolidated financial statements are intended only to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the previously mentioned consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and consolidated financial statements shall prevail. For the complete consolidated financial statements in Chinese version, please refer to MOPS: <http://mops.twse.com.tw/mops/web/index>